REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

PROMOTION OF YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS PHASE II

("WINGS TO FLY IV")

PROJECT NO. BMZ - NO. 2018 67 399

FOR THE YEAR ENDED

30 JUNE, 2025

STATE DEPARTMENT FOR BASIC EDUCATION

HARAMBEE

PROJECT NAME: PROMOTION OF YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS PHASE II ("WINGS TO FLY IV")

IMPLEMENTING ENTITY: STATE DEPARTMENT FOR BASIC EDUCATION

PROJECT GRANT: BMZ- NO: 2018 67 399

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

Table Contents Page

4. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
AAG	Assistant Accountant General.
ADE	Assistant Director Education
CFO	Chief Finance Officer
DDE	Deputy Director Education
EGF	Equity Group Foundation
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year.

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name: The project's official name is **Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV").**

Objective

The key objective of the project is to enhance access to Secondary Education for poor but bright learners through provision of scholarship and mentorship.

Address

The project headquarter offices are in Nairobi County, Kenya.

The address of its registered office is:

Ministry of Education
State Department for Basic Education
Jogoo House "B"
Harambee Avenue
P.O Box 30040 - 00100,
Nairobi.

Contacts:

The following are the project contacts

P.O. Box: 30040 - 00100

Telephone: (254) 3318581

E-mail: ps@education.go.ke

Website: www.education.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	30 March, 2021
Project End Date:	31 December, 2026
Project Coordinator:	Ms Clare Lokomol
Project Development Partner:	KFW – GERMANY

2.3 Project Overview

Line Ministry/State Department of the project	State department for Basic Education
Project number	**BMZ-NO.2018 67 399**
Strategic goals of the project	The goal of the project is to promote Kenyan youth employability through provision of scholarships to complete Secondary Education.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Placement of scholars in Secondary schools through provision of scholarships. (ii) Mentorship and Leadership conferences. Monitoring and evaluation
Other important background information of the project	The project targets poor and vulnerable learners transitioning to secondary schools
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Provision of scholarships and mentorship to poor but bright Secondary School learners. (ii)
Project duration	5 Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The project has no bank Account.

2.5 Independent Auditor

The project is audited by:

Auditor general,
Office of the Auditor general,
Anniversary Towers, University Way,
P.O. Box 30084, GPO 00100
Nairobi, Kenya

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
1.Lumbasi Bartholomew	Director	Education Specialist	Director Policy and Partnerships
2. Clare Lokomol	ADE	Education Specialist	Project Coordinator
3.Wachira Abraham	CFO	Finance	Technical advice on finance
4. Grace Njoki	AAG	Accountant	Project Accountant

2.7 Funding summary

The Project is for a duration of 5 years from 2021 to 2026 with an approved budget of two million eight hundred thousand Euros **(2,800,000)** equivalent to **Ksh 308,000,000** as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (June 30,2025)		Undrawn balance to date 30, June 2025	
	Donor currency (Euros)	Kshs	Donor currency (Euros) Kshs	Kshs	Donor currency (Euros)	Kshs
	(A)	(A')	(B)	(A')	(A)	(A')
(i) Grant						
KFW-Germany	2,800,000	308,000,000	1,266,092	202,741,012	1,533,908	105,258,988
Total	**2,800,000**	**308,000,000**	**1,266,092**	**202,741,012**	**1,533,908**	**105,258,988**

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (June 30,2025)		Cumulative amount paid to date – (June 30, 2025)		Unutilised balance to date (June 30, 2025)	
	Development Partner currency (Euros)	*Kshs*	Development Partner currency(Euros)	*Kshs*	Development Partner currency(Euros)	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
(i) Grant						
KFW-GERMANY	1,266,092	202,741,012	1,266,092	202,741,012	-	-
Total	**1,266,092**	**202,741,012**	**1,266,092**	**202,741,012**	-	-

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) Budget Performance against actual amounts for the current year and cumulative to-date

The project achieved a budget absorption rate of **44%** against the approved budget of **Kshs. 120,000,000** set for the financial year ended 30 June 2025. The Expenditure incurred for the year was **Kshs. 52,983,793.**

ii) Physical progress based on outputs and outcomes since project commencement.

Key Activities	Outputs	Outcome
Provision of Scholarships to **315** learners.	Disbursement for **315** scholars released.	Placement and facilitation of scholars in Secondary Schools.

iii) Absorption rate for each year since the commencement of the project.

FYR	Budget (Kshs)	Expenditure (Kshs)	Absorption Rate (Kshs)
2023/24	175,000,000	149,757,219	85.58%
2024/25	250,000,000	52,983,792.90	21.19%
OVERALL	**425,000,000**	**202,741,012**	**47.7%**

iv) Implementation Challenges and the way forward

The main implementation challenge is lack of GoK counterpart contribution to facilitate monitoring of the project.

To address this, the State department will engage the National Treasury to request for budgetary support through incorporation of a GoK Counterpart component to help the state department with effective monitoring and management of the project.

2.9 Summary of Project Compliance.

The project complied with all the laws and regulations as required. We did not have any cases of non-compliance in the year under review.

3 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objective of the project is,

1. The key objective of the project is to enhance access to secondary Education for poor but bright learners through provision of scholarships and mentorship.

Progress on the attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below we provide the progress on attaining the stated objectives

Project	Objectives	Outcome	Indicator	Performance
Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")	The key objective of the project is to enhance access to secondary Education for poor but bright learners through provision of scholarships and mentorship	Enhanced access and Retention of learners in Secondary Schools	Number of learners benefiting from the scholarships.	315 beneficiaries of the scholarship program Facilated.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The project Promotion of Youth Employment through Scholarships Phase II (Wings to Fly IV") exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

The project is been implemented within the existing government structures to enhance strengthening of the system Government.

ii. Environmental performance

The project ensures that, in the implementation of its activities, no potential damage to the environment is incurred.

iii. Employee welfare

The welfare of staff under the project is covered in the existing human resource structures at the Ministry. Additionally, policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) is observed.

iv. Market place practices-

a) Responsible Supply chain and supplier relations-

The project offers scholarships through Equity Group Foundation as the implementing partner.

b) Responsible ethical practices

Implementation of the project is within the project Agreement.

c) Regulatory impact assessment

The State Department oversees the operations of the project as far as conducting Scholarships is concerned.

(v) Community Engagements

Community engagements is done during selection for Wings to Fly beneficiaries for Secondary schools.

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.

The Principal Secretary for the State Department for Basic Education and the **Project Coordinator** for the **Promotion of Youth Employment through Scholarships** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on 30 June, 2025.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,(iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Basic Education and the **Project Coordinator** for the **Promotion of Youth Employment through Scholarships** accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State Department for Basic Education and the **Project Coordinator** for the **Promotion of Youth Employment through Scholarships** are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30,2025, and of the Project's financial position as at that date. **The Principal Secretary** for the State Department for Basic Education and the **Project Coordinator** for the **Promotion of Youth Employment through Scholarships** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Basic Education and the **Project Coordinator** for the **Promotion of Youth Employment through Scholarships** confirm that the Project has complied fully with applicable Government Regulations and the terms of

external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by **The Principal Secretary** for the State Department for Basic of Education for and the **Project Coordinator** on 26/8/ 2025 and signed by:

.....	.....
Name: Amb. (Prof.) Julius K. Bitok, CBS	**Name: Claire Lokomol**
Principal Secretary	**National Project Cordinator**

REPUBLIC OF KENYA

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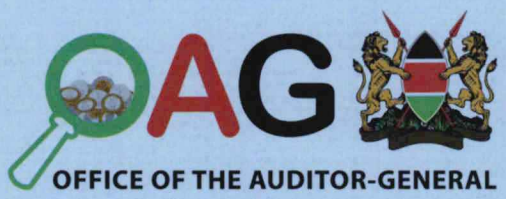
Email: info@oagkenya.go.ke
Website:www.oagkenya.go.ke



Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS PHASE II ("WINGS TO FLY IV") PROJECT NO. BMZ - NO. 2018 67 399 FOR THE YEAR ENDED 30 JUNE, 2025 - STATE DEPARTMENT FOR BASIC EDUCATION

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project No. BMZ - No. 2018 67 399 -

State Department for Basic Education set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2025, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV)" Project No. BMZ-No. 2018 67 399 - State Department for Basic Education as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Agreement between the KfW Development Bank, Equity Group Foundation and the Government of the Republic of Kenya of 22 March, 2021.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project No. BMZ-No. 2018 67 399 - State Department for Basic Education Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.120,000,000 and Kshs.52,983,793 respectively, resulting to an under-funding of Kshs.67,016,207 (or 56%) of the budget.

The underfunding and under absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

Conclusion

The Management is responsible for the Other Information set out on pages iii to xiii which comprise Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and the Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unsupported Procurement of Consultancy Services

Records provided for audit indicate that a Foundation was engaged by the State Department to provide Consultancy Services for the Wings to Fly Program. However, documentary evidence of how the Foundation was procured and other documents including needs assessment report, procurement plan, request for proposal, financial and technical proposal and prior approval by KfW – Development Bank to offer the services were not provided for audit review. Management explained that direct award was used because the Foundation had previously been engaged on a competitive basis to provide scholarships. However, functional description and a specification or terms of reference as required by Article 2.1.5 of the procurement guidelines of July 2024 were also not provided for audit review.

Further, the State Department did not provide a report on the suitability of the Foundation, contrary to Article 2.1.5 of the procurement guidelines which states 'that the Project Executing Agency shall verify the appropriateness and competitiveness of the offer as well as the contract to be concluded and demonstrate the qualification of the selected Bidder'.
In the circumstances, the regularity of procurement process of the Foundation could not be confirmed.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weak Controls over Scholarship Awards

As previously reported, the statement of financial performance reflects other transfers (scholarship grants) of Kshs.521,983,793 as disclosed in Note 7 to the financial statements. The summary of overall project performance at page viii indicates that the payment was in respect of three hundred and fifteen (315) learners. However, the following unsatisfactory matters were noted:

i. Management have not provided for audit review evidence that measures were taken to ensure that the scholarships were for the intended beneficiaries. Instead, Management relied on information obtained from the consultant (Foundation) before approving disbursement of funds;

ii. Management did not provide current status report of the beneficiaries; and

iii. During the year under review, there were no counterpart funds appropriated to implement the Project within the State Department, contrary to Regulation 72(6) of

the Public Finance Management (National Government) Regulations, 2015 which provides that national government shall ensure grants are factored in the budgets and counterpart funds appropriated accordingly.

In the circumstances, the effectiveness of internal controls over the award of scholarships could not be confirmed.

The audit was conducted in accordance with ISSAIs 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the KfW Development Bank, I report based on my audit, that I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion:

i. Information given in the Management report on pages iii to xiii is consistent with the financial statements;

ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and

iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The KfW Development Bank requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2025

7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2025.

	Notes	2024/25 FY
		Kshs
Revenue		
Revenue Transfers	6	52,983,793
Total revenue		**52,983,793**
Expenses		
Other Transfers (Scholarship grants)	7	52,983,793
Total expenses		**52,983,793**
Surplus/ (deficit)		-

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

.....	.....	.....
Name: Amb. (Prof.) Julius K. Bitok, CBS	**Name: Clare Lokomol**	**Name: Grace Njoki**
Principal Secretary	**Project Coordinator**	**Project Accountant**
		ICPAK Member No:8829

8. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2025

	Note	FY2024-25	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	-	-
Total Current Assets		-	-
Non-Current Assets		-	-
Total Non- Current Assets		-	-
Total Assets (a)		-	-
Liabilities			
Current Liabilities		-	-
Total Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)			
Represented By:			
Accumulated Surplus		-	-
Total Net Assets		-	-

The financial statements were approved on 26/8/ 2025 and signed by:

.....	.....	.....
Name: Amb. (Prof.) Julius K. Bitok, CBS	**Name: Clare Lokomol**	**Name: Grace Njoki**
Principal Secretary	**Project Coordinator**	**Project Accountant**
		ICPAK Member No:8829

9. STATEMENT OF CHANGES IN NET ASSETS.

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	-
Adjustments: (to recognize assets and liabilities)	-
As at 1st July 2024	-
Surplus/(Deficit) for the year	-
As at 30th June 2025	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 26/8/ 2025 and signed by:

.....	.....	.....
Name: Amb. (Prof.) Julius K. Bitok, CBS	**Name: Clare Lokomol**	**Name: Grace Njoki**
Principal Secretary	**Project Coordinator**	**Project Accountant**
		ICPAK Member No:8829

10. STATEMENT OF CASHFLOW FOR THE YEAR ENDED JUNE 30, 2025.

Description	Note	2024-25FY
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		-
Total receipts		-
Payments		
Other Transfers (Scholarship Grants)		-
Total payments		-
Net cash flow from operating activities		-
Cashflow from investing activities		-
Net cash flows from investing activities		-
Cash flow from financing activities		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		
Cash and cash equivalent at 1st July 2024		-
Cash and cash equivalent at end June 2025		-

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2025.

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	D	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue Transfers	250,000,000	(130,000,000)	120,000,000	52,983,793	67,016,207	44%
Total Revenue	**250,000,000**	**(130,000,000)**	**120,000,000**	**52,983,793**	**67,016,207**	**44%**
Payments						
Other Transfers (Scholarship)	250,000,000	(130,000,000)	120,000,000	52,983,793	67,016,207	44%
Total Payments	**250,000,000**	**(130,000,000)**	**120,000,000**	**52,983,793**	**67,016,207**	**44%**
Surplus or Deficit	-	-	-	-	-	-

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.

12. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Promotion of youth through Scholarships project under the State Department for Basic Education is established by and derives its authority and accountability from PFMAct, 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to enhance access to Secondary Education for poor but bright learners through provision of Scholarship and Mentorship.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 30 June,2025.

3. Adoption of New and Revised Standards

i) ***New and amended standards and interpretations in issue effective in the year ended 30 June 2025.***

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and	***Applicable 1st January 2025*** The Standard requires,

Standard	Effective date and impact:
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The

Standard	Effective date and impact:
	objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48-Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49-Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly. No Subsequent revisions or additional appropriations were made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

c) Changes in accounting policies and estimates

The Promotion of Youth through Employment Project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

d) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

e) Related parties

The Promotion of Youth Employment project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

g) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity.*
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the financial statements

6. Revenue Transfers

Description	2024-2025 FY KShs
Conditional Transfers	
Transfers from Development partner – (KFW- Germany)	52,983,783
Total Transfers for the Year	**52,983,783**

The grants are for facilitation of beneficiary Scholars under the project.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs	Kshs	Kshs
Development Partner: KFW-Germany	52,983,793	-	-	52,983,793
Total	**52,983,793**	-	-	**52,983,793**

7. Other Transfers/Subsidies/Grants

Description	FY 2024/25 Kshs
Transfers to EGF for facilitation of scholarship beneficiaries	**52,983,793**
Total	**52,983,793**

Notes to the financial statements

8. Cash and Cash Equivalents

Description	2024-25 FY Kshs	1st July Kshs
Cash in Bank	-	-
Cash on hand	-	-
Total Cash and Cash Equivalents	-	-

9. Trade and Other Payables

Description	2024-25 FY Kshs		1st July 2024 Kshs	
Trade payables	-		-	
	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

10.Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

11.Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

12. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Basis for conclusion	Weak controls over Scholarships Award	The management will Negotiate for GoK Counterpart funds with the National Treasury to facilitate monitoring of the project	unresolved	

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Name: Amb. (Prof.) Julius K. Bitok, CBS
Principal Secretary

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Name: Clare Lokomol
Project Coordinator

Annex 1: Variance explanations - Comparative Budget and Actual amounts for the Financial Year ended June 30, 2025

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Explanation for the Variances
	A	b	c=a-b	d=b/a %	
Receipts					
Revenue Transfers	120,000,000	52,983,793	67,016,207	44%	EGF did not submit requests for additional disbursements.
Total Receipts	**120,000,000**	**52,983,793**	**67,016,207**	**44%**	
Payments					
Other grants and transfers	120,000,000	52,983,793	67,016,207	44%	
Total payments	**120,000,000**	**52,983,793**	**67,016,207**	**44%**	